

**立法會**  
**Legislative Council**

LC Paper No. CB(1)1280/12-13  
(These minutes have been seen  
by the Administration)

Ref : CB1/PL/CI/1

**Panel on Commerce and Industry**

**Minutes of meeting**  
**held on Tuesday, 16 April 2013, at 2:30 pm**  
**in Conference Room 3 of the Legislative Council Complex**

- Members present** : Hon Vincent FANG Kang, SBS, JP (Chairman)  
Dr Hon CHIANG Lai-wan, JP (Deputy Chairman)  
Hon Emily LAU Wai-hing, JP  
Hon Jeffrey LAM Kin-fung, GBS, JP  
Hon Andrew LEUNG Kwan-yuen, GBS, JP  
Hon WONG Ting-kwong, SBS, JP  
Dr Hon LAM Tai-fai, SBS, JP  
Hon Steven HO Chun-yin  
Hon MA Fung-kwok, SBS, JP  
Hon Charles Peter MOK  
Hon Dennis KWOK  
Hon Christopher CHEUNG Wah-fung, JP  
Hon SIN Chung-kai, SBS, JP  
Hon Martin LIAO Cheung-kong, JP  
Ir Dr Hon LO Wai-kwok, BBS, MH, JP
- Members attending** : Hon Michael TIEN Puk-sun, BBS, JP  
Dr Hon Elizabeth QUAT, JP
- Member absent** : Hon CHUNG Kwok-pan

**Public officers  
attending**

: Agenda item IV

Miss Janet WONG, JP  
Commissioner for Innovation and Technology

Mr Johann WONG  
Deputy Commissioner for Innovation and  
Technology

Agenda item V

Miss Janet WONG, JP  
Commissioner for Innovation and Technology

Mr John HUNG Leung-bun  
Secretary-General (Testing and Certification) Hong  
Kong Council for Testing and Certification

Mr WONG Wang-wah  
Executive Administrator (Accreditation)  
Innovation and Technology Commission

Agenda item VI

Mr Andrew H Y WONG, JP  
Permanent Secretary for Commerce and Economic  
Development (Commerce, Industry and Tourism)

Mrs Alice CHEUNG, JP  
Deputy Secretary for Commerce and Economic  
Development (Commerce and Industry) 3

Mr Brian LO, JP  
Deputy Director-General of Trade and Industry  
(Commercial Relations, Controls and Support)

**Clerk in attendance** : Ms Annette LAM  
Chief Council Secretary (1)3

**Staff in attendance** : Ms Connie HO  
Senior Council Secretary (1)3

Miss Rita YUNG  
Council Secretary (1)3

Ms May LEUNG  
Legislative Assistant (1)3

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Action

**I. Confirmation of minutes of meeting**

(LC Paper No. CB(1)830/12-13 -- Minutes of meeting held on 19 February 2013)

The minutes of the meeting held on 19 February 2013 were confirmed.

**II. Information papers issued since last meeting**

(LC Paper No. CB(1)757/12-13(01) -- Information on the financial position of the Applied Research Fund for the period of 1 June to 31 August 2012

LC Paper No. CB(1)829/12-13(01) -- Information paper on the 18th Working Meeting of the Hong Kong/Guangdong Co-operation Joint Conference

LC Paper No. CB(1)848/12-13(01) -- Administration's paper on United Nations Sanctions (Democratic People's Republic of Korea) (Amendment) Regulation 2013)

2. Members noted that the above papers had been issued since last meeting held on 19 March 2013. In response to Ms Emily LAU's enquiry on the Information paper on the 18th Working Meeting of the Hong Kong/Guangdong Co-operation Joint Conference, the Chairman advised that the Administration would brief the Panel on the latest developments of the trade relations between the Mainland and Hong Kong at the Panel meeting in June 2013.

**III. Date of next meeting and items for discussion**

(LC Paper No. CB(1)832/12-13(01) -- List of outstanding items for discussion

LC Paper No. CB(1)832/12-13(02) -- List of follow-up actions)

3. Members noted that the next regular Panel meeting would be held on 21 May 2013 at 2:30 pm to discuss the following items proposed by the Administration:

- (a) Report on the progress of implementation of the dedicated fund on branding, upgrading and domestic sales; and
- (b) Fostering the development of intellectual property trading in Hong Kong.

*(Post-meeting note: To avoid clashing with the continuation of the Legislative Council meeting commencing on 15 May 2013, with the concurrence of the Chairman, the meeting originally scheduled for 21 May 2013 at 2:30 pm had been re-scheduled to 10:45 am on the same day.)*

**IV. Promotion of innovation and technology**

(LC Paper No. CB(1)832/12-13(03) -- Administration's paper on new initiatives on promotion of innovation and technology

LC Paper No. CB(1)832/12-13(04) -- Paper on promotion of innovation and technology prepared by the Legislative Council Secretariat (background brief))

Presentation by the Administration

4. At the invitation of the Chairman, Commissioner for Innovation and Technology (CIT) briefed members on the new initiatives in 2013-2014 to further support the development of the innovation and technology (I&T) in Hong Kong. These initiatives included the provision of funding to (i) universities being designated as local public research institutions to enhance their technology transfer capabilities; (ii) Partner State Key Laboratories (PSKLs) to further strengthen their research and development (R&D) capabilities and promote joint effort with their Mainland counterparts; and (iii)

Hong Kong Branch(es) of Chinese National Engineering Research Centre(s) (CNERC(s)) to enhance their R&D capabilities and collaboration with the Mainland. Details of the initiatives were set out in the Administration's paper (LC Paper No. CB(1)832/12-13(03)).

Discussion

*Funding support for universities' Knowledge Transfer Offices or Technology Transfer Offices/Centres (collectively referred to as TTOs)*

5. Mr WONG Ting-kwong welcomed the Administration's proposed funding support for the TTOs through the Innovation and Technology Fund (ITF) to enhance their work in promoting knowledge and technology transfer in partnership with the industry and other stakeholders. Mr WONG noted with concern that under the proposed funding arrangements, universities would be allowed the flexibility to determine their priorities of technology transfer activities, and that the funds could be used to support technology transfer activities arising from non-ITF projects. He enquired about the funding arrangement and the control mechanism for ensuring that the funds were specifically used for promoting knowledge and technology transfer.

6. Mr Charles MOK opined that in addition to funding support, technology transfer required sufficient technical know-how and knowledge about the commercialization process. It also involved diverse activities requiring specialized knowledge and professional support services in patent management, intellectual property (IP) protection, financial management, and contract negotiations with angel investors and venture capitalists, etc. He enquired whether the Administration would provide any suggestions or guidelines to the universities on the use of the funding for nurturing and training the requisite talents in technology transfer.

7. CIT and Deputy Commissioner for Innovation and Technology (DCIT) responded that the proposed funding support for the TTOs could be used for various areas of work, including professional services for technology transfer, promotion of technology transfer, IP support, as well as staff training on technology transfer related matters. The activities or events should be directly related to technology transfer, and to avoid double subsidy, should not be financed by the recurrent funding from the University Grants Committee (UGC). In response to Mr WONG Ting-kwong's enquiry about the use of funds for arranging networking activities, CIT advised that luncheon or dinner functions would be acceptable if they were reasonably incurred, e.g. as part of a seminar on technology transfer or similar activities.

8. On the funding arrangement, CIT and DCIT advised that payment would be made on an annual reimbursement basis, i.e. after the close of the financial year. The universities should submit a certified statement of claim for expenses incurred in the previous financial year, up to the \$4 million ceiling. Payment would be made to the universities after verification to ensure whether expenses were within approved scope, and were reasonable/proportional, etc. The Administration would work closely with the university TTOs to finalize the reimbursement arrangements. The universities would also need to submit annual reports on the impact and outcome of the funding support. This would facilitate the Administration's review around 2015 on the way forward, e.g. whether the Administration should in future allocation put more emphasis on the outcome/achievements of technology transfer activities of the universities.

*Additional funding support for PSKLs*

9. Mr Martin LIAO welcomed the Administration's new initiatives on the promotion of I&T in Hong Kong. He noted that the PSKL of Brain and Cognitive Sciences (The University of Hong Kong), the PSKL of Molecular Neuroscience (The Hong Kong University of Science and Technology) and the PSKL of Synthetic Chemistry (The University of Hong Kong) had obtained funding from the State Basic Research Programme of China (also known as "973" Programme). He enquired about the IP sharing arrangements of the relevant research projects under the "973" Programme.

10. In response, CIT and DCIT advised that the "973" Programme was funded entirely by the Mainland Government and supported important projects taking into account the national technology development direction, national economy, as well as social development and other crucial developments in the Mainland. The PSKLs would negotiate with their Mainland counterparts on IP rights and benefit sharing arrangements in respect of projects under the "973" Programme. The Administration would not lay claims to any IP rights of the projects undertaken by the PSKLs.

11. Mr MA Fung-kwok enquired whether it would be possible for the universities and research institutes in Hong Kong to set up State Key Laboratories without partnering with Mainland's research institutes. CIT responded that under the "One Country, Two Systems" principle, universities and research institutes in Hong Kong had to partner with the State Key Laboratories in the Mainland to be recognized as PSKLs. A new round of applications for admission as PSKLs was completed in December 2012. The Administration was awaiting the final decision from the State Ministry of Science and Technology (MOST) on Hong Kong's nominations.

*Funding support for Hong Kong Branch(es) of CNERC(s)*

12. Noting the setting up of the Hong Kong Branch of the National Application-Specific Integrated Circuit (ASIC) System Engineering Research Centre in June 2012, Mr Martin LIAO and Mr MA Fung-kwok enquired whether MOST was currently considering any other applications for the establishment of CNERC branches in Hong Kong. In view of the worsening environmental pollution problem and ageing population both in the Mainland and Hong Kong, Mr LIAO enquired whether the Administration would encourage the establishment of Hong Kong Branches of CNERCs focusing on environment protection as well as biotechnology and medicines.

13. CIT responded that the Hong Kong Branch of the National ASIC System Engineering Research Centre was the first pilot case of a CNERC Branch in Hong Kong. Some universities and research institutes in Hong Kong had indicated their interest in partnering with their Mainland counterparts to apply for the status of Hong Kong Branches of CNERCs. The Innovation and Technology Commission (ITC) was in discussion with MOST about conducting a round of open invitation for application from the research centres in Hong Kong for admission as Hong Kong Branches of CNERCs. CIT further advised that Hong Kong universities had strong R&D capabilities and enjoyed a leading position in areas such as medicine and biotechnology. The Administration welcomed these universities to apply to MOST through ITC for the status of a Hong Kong Branch of CNERC.

*Collaboration with the Mainland*

14. In response to Mr MA Fung-kwok's enquiry about collaboration with the Mainland in science, innovation and technology, CIT advised that the Administration was committed to strengthening I&T co-operation between the Mainland and Hong Kong. ITC had been working closely with MOST through the Mainland/Hong Kong Science and Technology Co-operation Committee to identify and implement initiatives to promote I&T development in Hong Kong. These included encouraging more local R&D institutions and research personnel to take part in national science and technology programmes, nominating Hong Kong experts for the National Science and Technology Programmes Expert Database, as well as establishing various platforms, such as PSKL and Hong Kong Branch of CNERC, for fostering technology co-operation between the Mainland and Hong Kong.

*Human resource development*

15. Ir Dr LO Wai-kwok expressed support for the Administration's new initiatives on the promotion of I&T in Hong Kong. He said that although universities in Hong Kong had strong and world class R&D capabilities, the society however attached more importance to financial management techniques rather than technologies. Ir Dr LO called on the Administration to increase public awareness and understanding of how science and technology would bring about socio-economic benefits, so as to foster wider public support and participation in strengthening the I&T sector. Echoing Ir Dr LO's views, Dr Elizabeth QUAT noted with concern that not many university graduates chose to pursue a career in the I&T or R&D sector due to the constraint of job opportunities. She urged the Administration to place more emphasis on human resource development in I&T, including creating more career opportunities for university graduates with science and technology background.

16. CIT acknowledged the importance of nurturing talents and the need for more job opportunities to attract university graduates with science and technology background to consider pursuing I&T as a life-long career. She said that to instil a stronger innovation culture in the community, ITC had organized various publicity programmes on a regular basis to sustain public interest in science and technology. The scale of and number of visitors to the flagship event, InnoCarnival, had both grown steadily every year. Other joint publicity programmes included the launching of promotional video, advertorials and media interviews on the latest development relating to I&T. ITC was currently exploring the production of television series featuring Hong Kong scientists and technology in various industries respectively.

17. Dr Elizabeth QUAT supported the Administration's new initiatives on I&T promotion. Noting that under the R&D Cash Rebate Scheme (the Rebate Scheme), a private company could receive cash rebate on its investment in applied R&D projects under ITF, Dr QUAT questioned whether such projects would receive double subsidy from both ITF and the Rebate Scheme. She also called on the Administration to consider extending the scope of the Rebate Scheme to cover in-house R&D projects undertaken by private companies.

18. In response, CIT advised that apart from ITF projects, applied R&D projects funded entirely by private companies and conducted in partnership with designated local public research institutions, i.e. partnership projects, were also covered by the Rebate Scheme. While ITF aimed to provide funding support for projects that contributed to I&T upgrading in manufacturing, the Rebate Scheme was introduced to reinforce a research



culture among enterprises and encourage them to establish long-term partnerships with local public research institutions. The Administration therefore did not consider it to be double subsidy. CIT supplemented that the Small Entrepreneur Research Assistance Programme under ITF provided matching grants to technology companies and small enterprises for conducting applied R&D.

19. The Deputy Chairman opined that Hong Kong's gross expenditure on R&D (GERD) as a ratio to the gross domestic product (GDP) at 0.72% in 2011 was relatively low compared with that of Taiwan or Korea, both of which were over 3%. CIT said that although Hong Kong's GERD as a ratio to GDP was low by international standard, expenditure on R&D had been increasing in the past few years. However, the increase in GERD was dwarfed by the strong growth of GDP fuelled by other economic sectors such as tourism, financial services, trading and logistics during the same period.

#### *Commercialization of R&D results*

20. The Deputy Chairman noted with concern that a non-invasive pre-natal testing for Down's Syndrome developed by a local university was licensed to a biotechnology company in the United States, rather than a Hong Kong company. She urged the Administration to step up efforts in promoting commercialization of local R&D results and technology transfer. Sharing a similar view, the Chairman pointed out that the electric vehicle "MyCar" jointly developed by The Hong Kong Polytechnic University and a local company was mainly sold to European countries.

21. CIT responded that the development of the non-invasive pre-natal testing for Down's Syndrome had been supported by both the UGC and ITF at different stages. ITC would continue to support local universities and research institutes in promoting commercialization and realization of R&D outcomes. CIT supplemented that five R&D Centres were set up under ITF to drive and co-ordinate applied R&D in selected focus areas and to promote commercialization of R&D results and technology transfer.

22. In response to the Deputy Chairman's enquiry about examples of successful commercialization of local R&D results, CIT advised that the Hong Kong Research Institute of Textiles and Apparel had issued non-exclusive licences to several companies for use of its Nu Torque<sup>TM</sup> Singles Ring Yarns Technology at a total licensing fee of around \$9 million. The Hong Kong Applied Science and Technology Research Institute had also licensed numerous technologies to the industry, and the income from licensing fees or royalty payments had been increasing every year.

23. Dr Elizabeth QUAT highlighted the importance of the conducting usability study and user behavior research to facilitate successful commercialization of R&D results as usability in product design was a critical success factor. She suggested that the Administration should nurture talents in this respect.

24. CIT took note of Dr Elizabeth QUAT's views. She advised that to create a more conducive environment to facilitate the realization of R&D results in Hong Kong, ITC had continued to improve the ITF, taking account of the experience and feedback received as well as the changing circumstances. The scope of ITF funding had been extended to cover production of tools/prototypes/samples and conducting of trial schemes in the public sector. ITC would keep improving the ITF and explore the possibility of further extending the scope of funding, with a view to encouraging and facilitating technology transfer and commercialization, so that local R&D results would be adopted for use in real life, bringing wider benefits to the community.

*Summing up*

25. The Chairman concluded that members generally supported the Administration's latest initiatives on the promotion of I&T in Hong Kong. He called on the Administration to further strengthen the cooperation amongst the Government, industry, academic and research sectors so as to expedite the process for realization and commercialization of R&D outcomes.

**V. Review of the work of the Hong Kong Council for Testing and Certification**

(LC Paper No. CB(1)832/12-13(05) -- Administration's paper on Review Report of the Hong Kong Council for Testing and Certification 2013

LC Paper No. CB(1)832/12-13(06) -- Paper on promoting the development of the testing and certification industry in Hong Kong prepared by the Legislative Council Secretariat (updated background brief))

Relevant paper

Review Report of the Hong Kong Council for Testing and Certification 2013

Presentation by the Administration

26. At the invitation of the Chairman, Commissioner for Innovation and Technology (CIT) briefed members on the implementation progress of the three-year market-oriented development plan for the testing and certification industry and sought members' views on the recommendations made by the Hong Kong Council for Testing and Certification (HKCTC) to support the further development of the industry as set out in the Administration's paper (LC Paper No. CB(1)832/12-13(05)).

Discussion

*Selection of specific trades with good potentials*

27. Noting that two new Panels were set up in mid-2012 to explore the business opportunities for testing and certification in the emerging trades of environmental protection and information and communications technologies respectively, Mr Martin LIAO enquired about the reasons for selecting these two specific trades as having good potential for using testing and certification services. Mr LIAO asked whether HKCTC would assess the development potential of other trades for inclusion in its development plan apart from the six selected trades that had already been identified as having strong demand for testing and certification services.

28. In response, CIT advised that the selection of the six trades was a consensus reached after wide consultation with stakeholders in the related industries having regard to the growth forecast of the respective trades as supported by statistics and other relevant information. In addition to the four trades identified for targeted promotion in 2010, namely Chinese medicines, construction materials, food and jewellery, the two other priority trades on environmental protection and information and communications technologies were subsequently included in the development plan of HKCTC in 2012. CIT said that while keeping a close look at the market trend to identify other trades with high potential demand for testing and certification services, the HKCTC would also see to the possibility of winding up projects for existing selected trades after all reasonable possibilities had been explored. Secretary-General (Testing and Certification) of HKCTC (SGHKCTC) supplemented that in respect of the emerging trade of environmental protection, future efforts would focus on the promotion of validation and

verification of greenhouse gas assertions; promotion of energy management system certification to the ISO 50001 standard; and promotion of testing and certification services for green procurement. On the information and communications technologies front, efforts would target at the development of certification service for cloud computing; promotion of ISO 27001 information security management system certification; and exploration of third-party testing services for software products. He further said that to address public concern over food safety arising from the Fukushima nuclear power plant incident in Japan in 2011 and contaminants of phthalates in food in Taiwan, workshops and seminars were organized by the HKCTC to enhance the testing capabilities of local testing organizations in respect of measurement of radiation and phthalates in food. In addition to rolling out the ISO 22000 certification for the food trade, the Innovation and Technology Fund had supported the Hong Kong Polytechnic University in developing an Hazard Analysis and Critical Control Points (HACCP)-based food hygiene management system certification to meet the operational needs of the local catering industry. A pilot run of the HACCP certification scheme was now being conducted and official roll out was expected in mid-2013 upon finalization. In addition, Supplement IX to Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) had further expanded the acceptance of Hong Kong's testing results for food-related certification in Guangdong on a pilot basis starting from January 2013.

#### *Tapping the Mainland market*

29. Ir Dr LO Wai-kwok declared that he was a member of the HKCTC and the Vice-chairman of the Hong Kong Quality Assurance Agency. He opined that the success of the further development of Hong Kong's testing and certification industry hinged on a wider recognition of Hong Kong's certification and testing services in the international and regional arena, in particular the Mainland. While appreciating that the Hong Kong Accreditation Service (HKAS) had continued to participate actively in the international accreditation community to raise its profile and uphold its international status, and noting that Hong Kong's testing results were accepted by the China Compulsory Certification (CCC) System for products processed in Hong Kong through CEPA which was a great break-through in the development of Hong Kong's testing and certification industry in the Mainland, Ir Dr LO enquired about the Administration's plan in promoting wider acceptance of the testing reports of Hong Kong testing organizations as equivalent to those issued by designated Mainland certification bodies. He also sought statistics showing the success of Hong Kong's testing organizations in tapping the Mainland market through CEPA. In light of the food safety concern in the Mainland, Mr Martin LIAO urged the HKCTC to capitalize on Hong Kong's advantage on testing and certification services and

seize the opportunities under CEPA to further promote Hong Kong's testing and certification services on food in the Mainland, thereby creating more business opportunities for the local testing and certification industry.

30. SGHKCTC replied that Mainland China had been gradually opening up its market to Hong Kong's testing and certification industry since the signing of Supplement VII to the CEPA with the Hong Kong Special Administrative Region (HKSAR) in May 2010 whereby testing laboratories in Hong Kong accredited by the HKAS were allowed to cooperate with designated Mainland certification bodies in testing four types of products processed in Hong Kong for the CCC System on a pilot basis. Under Supplement VIII to CEPA, product testing for the CCC System was extended to cover all existing 22 types of products processed in Hong Kong that required CCC with effect from 1 April 2012. Under Supplement IX to CEPA signed in June 2012, the scope of certification services that could be undertaken by Hong Kong testing organizations was expanded to also cover food on a pilot basis in Guangdong Province starting from January 2013. SGHKCTC said that since the implementation of Supplement VII to CEPA, of the nine testing organizations that had been accredited by HKAS for undertaking the related testing work in accordance with Guobiao of the Mainland, three Hong Kong accredited laboratories had finalized four collaborative agreements with designated Mainland certification bodies. Names of the concerned laboratories could be found in the designated webpage of the Certification and Accreditation Administration of the People's Republic of China (PRC).

31. Pointing out that food safety, in particular milk powder, was the paramount concern of Mainland consumers, Mr Michael TIEN proposed exploring with the Mainland authorities the possibility of extending Hong Kong's testing and certification services to food produced in the Mainland, using milk products as a trial item, to help restore consumers' confidence in milk powder produced by Mainland's state-owned enterprises. SGHKCTC responded that Supplement IX to CEPA that extended the acceptance of Hong Kong's testing results for food-related certification in Guangdong including milk products had presented a precious opportunity for Hong Kong's testing organizations to further develop their food testing services in the Mainland. He said that following HKCTC's briefing on the arrangements under Supplement IX to CEPA for the industry, local testing organizations and designated Mainland certification organizations had already begun discussions on possible cooperations under the expanded measures of Supplement IX to CEPA.

32. Mr Michael TIEN further enquired if the Administration would take the initiative to discuss the proposal with the State Council or the related government authorities of PRC. He opined that the proposed collaboration could be realized only under enhanced Government-to-Government cooperation between Mainland and Hong Kong. If successful, it would not only provide enormous business opportunities for Hong Kong's testing and certification industry, but would also help alleviate the problems arising from the regulation of the export of powdered formula in Hong Kong. While concurring with Mr Michael TIEN's views that the proposed introduction of Hong Kong's testing and certification services to Mainland's milk products as a trial would help bring a win-win situation for both the Mainland and Hong Kong, the Chairman cautioned that the reputation of Hong Kong's testing organizations might be jeopardized should any fake certified-by-Hong Kong milk products be found in the Mainland retail market. Mr TIEN suggested that monitoring measures should be put in place to ensure integrity of products certified by Hong Kong for quality assurance. In this connection, Mr WONG Ting-kwong called on the Administration to consider the possibility of setting up designated retail outlets in the Mainland for sale of products certified by Hong Kong to ensure the product integrity and also to further promote the Hong Kong brand and expand Hong Kong's testing and certification services in the Mainland.

*Profile of the testing and certification industry*

33. The Chairman noted from the information provided by the Administration that total business receipts of the industry had increased by 25% from \$8.6 billion in 2009 to \$10.8 billion, and that the number of private independent establishments in the industry had increased by 5.3 % from 570 to 600 in 2011. He expressed doubt about the aforesaid statistics, saying that some stakeholders of the testing and certification industry had relayed to him that a large number of testing organizations in Hong Kong had relocated their operation to the Mainland in recent years. He enquired whether the reported amount of business receipts had taken into account the operation of off-shore testing organizations and whether medical laboratories were included in the reported number of private independent establishments. SGHKCTC replied that there were changes in the composition of testing services being provided in Hong Kong. While some types of testing operation had been relocated to the Mainland, other types had been expanding, such as testing for Chinese medicine, chemicals, food and construction materials, as a result the growth in business receipts of the testing and certification industry in Hong Kong remained strong in the last couple of years. He added that under the definition of the Census and Statistics Department, private independent establishments in the industry comprised organizations for which independent testing and certifications

services constituted the major part of their business operation. Medical laboratories were included in the number of private independent establishments.

*Testing of Chinese materia medica*

34. Given that the Mainland was the origin of most Chinese herbs and that the quality of Chinese materia medica might vary according to the origins and lots of production of Chinese herbs, the Chairman asked if it was practicable for Hong Kong to develop its own standard in respect of testing of Chinese materia medica. In response, SGHKCTC said that the Hong Kong Chinese Materia Medica Standards (HKCMMS) developed by the Department of Health served as a supplement to the Pharmacopoeia of the People's Republic of China (the Chinese Pharmacopoeia) adopted in the Mainland, providing detailed references for testing laboratories in authenticating Chinese materia medica. While the research work of HKCMMS was conducted by research teams from six local universities, an International Advisory Board (IAB) comprising local, Mainland and overseas experts was appointed to advise on the principles, methodologies, parameters and analytical methods of the research. He said that research institutions had taken into account the differences in origins and lots of samples of Chinese materia medica in drawing up the HKCMMS for specific types of Chinese materia medica, and that the IAB would assess whether the HKCMMS proposed by research institutions were reasonable and feasible.

35. The Chairman concluded that the Panel supported promoting the further development of Hong Kong's testing and certification industry in the Mainland and HKCTC's recommendations as set out in the Review Report. CIT informed the meeting that the supernumerary Administrative Officer Staff Grade C post of SGHKCTC was due to expire on 31 March 2014. A recommendation to convert the said post to the permanent establishment of the Innovation and Technology Commission of CEDB so as to support the long-term development of the testing and certification industry in Hong Kong would later be submitted for the Panel's consideration.

**VI. Support measures for small and medium enterprises**

(LC Paper No. CB(1)832/12-13(07) -- Administration's paper on support measures for small and medium enterprises

LC Paper No. CB(1)832/12-13(08) -- Paper on support measures for small and medium enterprises prepared by the Legislative Council Secretariat (updated background brief)

Presentation by the Administration

36. At the invitation of the Chairman, Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (PSCIT) briefed members on the progress of the implementation of the special concessionary measures under the SME Financing Guarantee Scheme (SFGS) operated by the Hong Kong Mortgage Corporation Limited (HKMC), and the extension of the application period for the special concessionary measures for one year up to the end of February 2014 as announced in the 2013-2014 Budget, and sought members' views on the proposal to increase the cumulative grant ceiling for each small and medium enterprise (SME) under the SME Export Marketing Fund (EMF) from \$150,000 to \$200,000, subject to the meeting of relevant additional conditions. Details were set out in the Administration's Paper (LC Paper No. CB(1)832/12-13(07)). PSCIT advised that subject to members' views, the Administration would submit the proposal regarding the enhancement of the EMF to the Finance Committee in May 2013 with a view to implementing the proposal in June 2013.

Discussion

*Progress of the special concessionary measures under SFGS*

37. Mr WONG Ting-kwong welcomed the extension of the application period of the special concessionary measures under the SFGS and supported the proposed increase of the cumulative grant ceiling for each SME under the EMF. Referring to the motion on "Small and Medium Enterprises Financing Guarantee Scheme" passed at the Legislative Council meeting of 19 December 2012 whereby the Administration was urged to negotiate with banks to lower the loan interest rates under the special concessionary measures of the SFGS so as to alleviate the burden of SMEs, Mr WONG asked whether the Administration had taken any action to discuss the interest rate issue with lending institutions. PSCIT responded that the SFGS including the special concessionary measures was a market-based loan guarantee scheme. The interest rate of each commercial loan was a commercial decision made by the lending institutions after taking into account a basket of factors including the borrower's operational, financial and repayment capability; the type and nature of credit facility; as well as the type



and quality of any security pledged. The Administration would closely monitor the average interest rates of loans approved under the special concessionary measures in the light of the upward trend of market interest rate. The Administration had no plan to discuss the interest rate issue with lending institutions for the time being.

38. Mr WONG Ting-kwong pointed out that while the bank's lending risks had been substantially reduced by the Government's loan guarantee, the interest rates charged on loans approved under the special concessionary measures of the SFGS were still much higher than those loans backed by collateral. He urged the Administration to explore with lending institutions on whether there was any room for lowering the interest rates. PSCIT replied that about 85% of the loan amounts approved under the special concessionary measures were of an annual interest rate of 6% or less while about 60% to 70% of the loan amounts approved were of an annual interest rate of 5% or less. He reiterated that the Administration noted members' concern on the loan burden of SMEs and would keep in view the market situation.

39. The Chairman remarked that judging by the uptake of funds, the Special Loan Guarantee Scheme (SpGS) launched in December 2008 by the Trade and Industry Department, which had ceased receiving new applications from 1 January 2011, seemed to be more popular than the special concessionary measures under the SFGS operated by the HKMC. Mr WONG Ting-kwong concurred with the Chairman's views, and opined that it might be due to the lower interest rates of the loans approved under the SpGS, and the more customer-friendly one-stop service rendered by participating banks for processing SpGS applications. Noting that applications for the special concessionary measures under the SFGS were subject to dual vetting by both the HKMC and the lending institutions which was therefore more time consuming and cumbersome, Mr WONG Ting-kwong called on the Administration to streamline the application handling process of the special concessionary measures by referencing the arrangements for the SpGS.

40. PSCIT replied that under the SpGS, the interest rate of each commercial loan was also a commercial decision made by the lending institutions. The maximum amount of loans in respect of which each enterprise could obtain loan guarantee under the SFGS including the special concessionary measures was \$12 million at any point in time, which was also the same as the SpGS. The number of applications under the two schemes was affected by the relevant economic climate. The response for the SpGS was no doubt good (a total of about 43 000 applications had been received and over 39 000 applications had been approved during the two-year period of its operation from 15 December 2008 to 31 December 2010); and the

trade's response to the special concessionary measures under the SFGS was also very positive. Over 7 000 applications had been received and over 6 400 applications approved within the 10-month period since its launch in May 2012 up to March 2013. PSCIT further pointed out that the number of applications rejected under the special concessionary measures was 38 while that of the SpGS was 394. The rejection rate of the special concessionary measures was about 0.5%, which was much lower than that of the SpGS which stood at about 1%. The statistics showed that the existing arrangement adopted under the special concessionary measures was not an impediment to SMEs' applications. PSCIT added that the special concessionary measures were also effective in reducing the lending cost of SMEs as the guarantee fee charged under the special concessionary measures had been substantially reduced by about 70% compared to the SFGS, and the guarantee fee to be borne by SMEs was insignificant compared to the approved loan size.

*Proposal of increasing the cumulative grant ceiling for each SME under the EMF*

41. The Chairman enquired if the existing funding commitment for the EMF would be sufficient to cover the additional expenditure arising from the proposed increase in the cumulative grant ceiling for each SME under the EMF. PSCIT replied that around 4 800 SMEs had already exhausted their current cumulative grant ceiling under the EMF. Assuming that all those SMEs would apply for and exhaust the proposed additional grant of \$50,000, the relevant expenditure was estimated to be around \$240 million. The expenditure would further increase as more SMEs currently below the cumulative ceiling applied for additional grants after they had exhausted their current cumulative grant ceiling of \$150,000. The relevant expenditure would be met by the approved commitment of \$3.75 billion for the SME Export Marketing and Development Funds (EMDF). With the implementation of the proposal, it was estimated that the approved commitment could sustain the operation of the two funds until mid-2015, given that the present utilization rate of the EMDF was about 76%. Should there be a need to increase the funding commitment subsequent to the implementation of the proposal, the Administration would seek the Panel's support for seeking the Finance Committee's approval for injection of additional funds.

*Assisting SMEs to tap new markets*

42. While expressing his appreciation for the Hong Kong Trade Development Council (HKTDC) to set up more Design Galleries in Mainland cities, Mr WONG Ting-kwong enquired if the Administration would

implement any initiatives to assist SMEs to tap business opportunities in the emerging markets, such as the Association of Southeast Asian Nations, South America and Africa, by organizing trade missions to these countries. PSCIT said that the HKTDC had been organizing various activities to help SMEs to promote their businesses in emerging markets. Where appropriate, representatives of chambers of commerce and local enterprises would be invited to join the trade missions led by Principal Officials of the Hong Kong Special Administrative Region. Apart from the Mainland, promotion activities were planned to be launched in Southeast Asia this year.

43. The Chairman concluded that the Panel welcomed the extension of the application period of the special concessionary measures under the SFGS and supported in principle the proposal of increasing the cumulative grant ceiling for each SME from \$150,000 to \$200,000 under the EMF, subject to the meeting of relevant additional conditions.

**VII. Any other business**

(LC Paper No. CB(1)832/12-13(09) -- Invitation from Temasek Foundation Centre for Trade & Negotiations (TFCTN) inviting nominations of two Legislative Council Members to join the World Trade Organization and the TFCTN Workshop on international trade 2013 to be held in Singapore from 3 to 5 June 2013)  
(*English version only*)

44. The Panel noted the invitation from the Temasek Foundation Centre for Trade & Negotiations (TFCTN) to the Legislative Council for the nomination of two Members to join the World Trade Organization and the TFCTN Parliamentarian Workshop on International Trade 2013 (the Workshop) to be held in Singapore from 3 to 5 June 2013. As the theme of the Workshop programme fell within the terms of reference of the Panel, members agreed to accept the invitation to nominate two Members to participate in the Workshop.

(*Post-meeting note:* On the direction of the Panel Chairman, a circular was issued to Panel members and copied to all Members of the Legislative Council on 18 April 2013 inviting Members to indicate their interest in attending. Two Members who initially indicated interest had subsequently withdrawn from participating in

the Workshop. The organizer was informed that no Members would participate in the Workshop.)

45. There being no other business, the meeting ended at 4:30 pm.

Council Business Division 1  
Legislative Council Secretariat  
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